

CITY OF WIOTA

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
AUGUST 1, 2014 THROUGH JULY 31, 2015

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City of Wiota

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ford Lillard	Mayor	January 2016
Jon Schwarte	Mayor Pro-Tem	January 2016
Deanna Spry	Council Member	January 2018
Kathy Havens	Council Member	January 2018
Jeff Lillard	Council Member	January 2018
Steve Havens	Council Member	January 2018
Peggy Beschorner	City Clerk	Indefinite

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

December 11, 2015

Lonnie G. Muxfeldt
Certified Public
Accountant

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Wiota for the period August 1, 2014 through July 31, 2015. The City of Wiota's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. I reviewed City funds for consistency with the City's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. I reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

8. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.

9. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.

10. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.

11. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.

12. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Wiota, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Wiota and other parties to whom the City of Wiota may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the Clerk of the City of Wiota during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


M. J. H. Associates, CPA, P.C.

DETAILED RECOMMENDATIONS

CITY OF WIOTA

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Accounting System - performing all general accounting functions, including journal entries, and having custody of assets.

Recommendation - The Council should continue its practice of reviewing and initialing invoices before approval for payment thereby obtaining the maximum internal control possible under the circumstances.

- (B) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (C) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation - The city should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

CITY OF WIOTA

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (D) Official Depository - A Resolution naming the official depository has not been adopted by City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - A resolution in amounts sufficient to cover anticipated balances at the approved depository should be adopted by the City Council as required.

- (E) City Council Minutes - The following items were identified:

1. Minutes for the City Council meetings were not signed for the period from August 1, 2014 through July 31, 2015 as required by Chapter 380.7 of the Code of Iowa.
2. City Council minutes listed the claims but did not show disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa.
3. The City did not publish or post for public view annual gross salaries for the period August 1, 2014 through July 31, 2015 as required by an Attorney General's opinion dated April 12, 1978.
4. Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published or posted for public view within fifteen days of the meeting. City Council minutes were not published or posted for public view as required.

Recommendation - The City should comply with the Code of Iowa and publish or post for public view Council minutes within fifteen days, as required. In addition, the City should ensure the minutes, list of claims, summary of receipts, total disbursements by fund and annual individual gross salaries are published or posted for public view as required. Finally, the minutes record should be signed to authenticate the actions taken, as required.

- (F) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety and enterprise functions. Chapter 384.20 of the Code of Iowa states, in part, *Public monies may not be expended or encumbered except under an annual or continuing appropriation.*

Recommendation - The disbursements should have been monitored and amended before disbursements were allowed to exceed the budget.

CITY OF WIOTA

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

(G) Annual Financial Report - The following were identified:

1. Receipts and disbursements reported on the Annual Financial Report (AFR) did not agree with the Clerk's reports. Both receipts and disbursements were understated by \$14,043 for fiscal year 2015.
2. Local Option Sales Tax was understated on the AFR by \$1,063 due to a posting error in the City's ledger.

Recommendation - The City should ensure all receipts and disbursements are included on the Annual Financial Report by reconciling all totals to the City's financial reports. An independent person should review the report for accuracy.

(H) Payment of General Obligation Note - Principal of \$7,135 and Interest of \$1,302 on the City's general obligation fire truck note were paid from the General Fund. Chapter 384.4 of the Code of Iowa states, in part, *Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.*

Recommendation - The City should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payments on the note should be made from the Debt Service Fund as required.

(I) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation - Even though there are only four or five delinquencies per month, a list of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council should review the reconciliation and monitor the delinquent accounts.

(J) Bank Reconciliations - Although monthly bank reconciliations were performed, no evidence of bank reconciliations were maintained.

Recommendation - Even though there were but a few months with outstanding items, the bank reconciliation should be documented. The bank side of the bank statement should suffice.

CITY OF WIOTA

WIOTA, IA 50274

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an agreed-upon procedures report on the City of Wiota, Iowa for the period August 1, 2014 through July 31, 2015. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, receipts, disbursements, payroll, utilities and financial reporting, that the Clerk comply with Chapter 380.7 by signing the minutes, that the City publish employees and officials annual gross salaries, that the City comply with provisions of Chapter 372.13(6) relating to minutes publication requirements, that the City comply with Chapter 12B.10B concerning adopting a written investment policy, that the City comply with Chapter 12C.2 naming an official depository, that the City comply with Chapter 554D.114 concerning electronic check retention, that receipts and disbursements reported in the Annual Financial Report agree with the City's ledgers, that the City comply with Chapter 384.20 regarding budget amendments, that the City comply with the provisions of Chapter 384.4 regarding the payment of general obligation debt from the debt service fund, that the City prepare a list of delinquent Utility accounts monthly, A copy of the examination report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.